Dear Dairy and Nation’s Biggest Fluid Processor —

In the February 27 conference call with investors, Dean Foods’ management announced the follow-
ing:

• The firm would suspend payments of divi-
dends to investors.

• No longer will the company issue future guid-
ance on upcoming quarters/annual financial perform-
ance. (Note: Management missed internal projections on 2018’s final two quarters so badly that it’s less embar-
rassing to cease such predictions in the future.)

• The firm is exploring its “strategic alternatives”— ranging from selling the firm to taking it private. In other words, the company at this time has no plan that management may publicly discuss, and appears open to any halfway decent deal that comes along.

Dean Foods’ stock has significantly fallen below $3 per share. The company’s stock closed trading on March 1 at $2.87 per share. That’s down about 85% from early January 2017 figure.

• In early March, Standard & Poors again dropped its rating of Dean Foods’ $700,000,000 of unsecured senior debt down to CCC+—deep into junk status.

• Also, Standard & Poors also projected that a subsequent downgrade may follow within the next year. S&P’s early March downgrade was the second downgrade by that analyst for Dean Foods in five weeks.

• Dean Foods’ participation in the Multi-Emp-

by Pete Hardin

Dean Foods’ management continually presents its strat-
getic alternatives—a grab-

bag list of possible alternatives for the company’s fu-
ture directions that showed no focus. Following a long string of recent bad news from Dean Foods, the company’s stock values declined and investment analysts are skeptical about the firm’s stock performance.

The good news? Dean Foods has again renegotiated a credit agreement with the bank that pledged that sup-
posedly “bankruptcy remote” receivables from vir-
tually all of its dairy subsidiaries to a network of firms. But that renegotiated loan package, announced in late February, increases the borrowing limit on those receivables by $175 million — down from $450 million. Further, Dean Foods must collateralize certain real estate as-
ssets to back up the receivables package against which the firm is borrowing. That’s the good news.

The absolutely DUMBEST move by Dean Foods was borrowing $1.96 billion in early 2007 to pay out a one-time, $15/share special dividend to shareholders. Dean Foods’ then CEO, Gregg Engles, put about $40 million in his pocket on that ill-advised pay-out.

Dean Foods started selling off its more prof-

itables assets about five years ago. In 2013, then-CEO Engles bolted following the sale of the White Wave subsidiary. Engles joined White Wave as that firm’s top executive. In 2017, Engles pocketed unknown riches with the sale of White Wave to the French dairy/food/water giant, Danone.

So Dean Foods was basically left with low-mar-
gin enterprises. Nationally, the fluid milk category has been witnessing overall margin declines of about 1-2% annually for the past decade. Dean Foods’ single big customer, Walmart, has proven a diffi-
cult sell in recent years. Walmart has reportedly pared margins paid to Dean Foods, while using Dean Foods’ branded milks as over-priced competitors to Walmart’s store brands. At Walmart stores, Dean Foods’ brand milks are often priced $1.50 to $2.00/gallon higher than Walmart’s private label milk.
by Jan Shipel

Details to follow. That’s the message for dairy farmers wondering when they might expect some financial help from the Dairy Margin Coverage (DMC) program that Congress haggled over at the end of 2018. Assistant Secretary of Agriculture for Rural Development Sonny Perdue gave dates for farmers to take note of:

• By March 18, producers who were locked out of the former MPP-Dairy program because they were already enrolled in the LGM-Dairy program (LGM-Dairy) program, may begin to retroactively enroll in MPP-Dairy coverage for this year. Economists who have spoken to farm groups for the past several months noted that based on their reading of milk prices and feed prices there will be MPP payments for January and February.

• The old Farm Bill prohibition of farmers from participating in both programs at once, but Congress changed that in the new legislation.

• By April 15, Perdue said his agency expects to have an updated online decision tool ready for farmers to use to help them evaluate their options under the new DMC program.

• By April 30, farmers will be able to get partial refunds of MPP premiums because of a provision in the 2018 farm law. That refund is later than USDA officials hoped it would be, Perdue told lawmakers.

The delay comes because for the first two years of MPP-Dairy implementation, producer premium and payment information was recorded manually, rather than electronically. Staffers have had to re-enter that information electronically before any further steps could be taken, Perdue explained.

According to the testimony Perdue gave to Congress in Agriculture Committee hearings, farmers will be able to sign up for the new DMC program on June 17.

On July 8, the Secretary said, payments to dairy farmers will begin. They will be retroactive to January 1, 2019. The USDA officials said they had prioritized DMC implementation ahead of crop programs like ARC and PLC. That seems appropriate, since dairy farmers are paying a flat fee for a 90% of gross margin program, with no prices and regional and national news outlets are full of stories about dairy farmer suicides (or near-suicides) and bankruptcy filings.

Collin Peterson (D-Minn.) served as one of the top four lawmakers who helped craft the new farm legislation last December. When his party took back control of the House in January, he was named Chair of the House Agriculture Committee. That appointment makes Peterson the first repeat House Agriculture chair since the Eisenhower era.

Peterson commented last week, to the NFMP board, that “dairy needed the most help in this Farm Bill and I’m pleased we were able to deliver.”

Officials from NFMP said they were urging the USDA to incorporate the true cost of high quality alfalfa hay into the DMC feed cost formula “to ensure that the formula more accurately reflects producer costs.”

The dairy cooperative lobbying group is also urging the USDA to make sure that the FSA, which will run the DMC program, and the Risk Management Agency, which processes payments, are fully coordinated and informed. Officials with NFMP want to make sure that dairy farmers don’t face hurdles in signing up for both programs — if they want to. That option is now allowed under the new farm legislation.

Alpina Plant to Upstate-Niagara?

The closed Alpina yogurt plant at Batavia, New York is being sought by the Upstate-Niagara dairy co-op. Alpina’s venture into the U.S. yogurt business failed. The last plant is in the process of closing last January. Comments by Upstate-Niagara CEO Larry Webster hinted that his co-op would be paying about $20-25 million for the plant.

More taxpayer subsidies will be piled upon failed taxpayer subsidies in New York State.

Dean Foods — Nation’s Biggest Fluid Processor — in Financial Meltdown, can’t...